

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Energy, Infrastructure & Investment Department - Establishment of FSRU based LNG Terminal at Deep Water Port, Kakinada, East Godavari District by APGDC - Constitution of Committee with Senior Officers to examine the options involved and to suggest the way forward -Orders -Issued.

ENERGY, INFRASTRUCTURE AND INVESTMENT (AIRPORTS) DEPARTMENT

G.O.RT.No. 82

Dated: 20-06-2017
Read the following:

1. G.O.Ms.No.8, I&I (Airports-A2) Dept., dated 10-05-2013.
2. G.O.Ms.No.4, I&I (Airports-A2) Dept., dated 19-07-2014.
3. From MD, APGDC Lr.No.APGDC/FSRU/2116/2017, dated 01.04.2017.

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ORDER:

In the G.O. 1st read above, orders were issued according in-principle approval for establishment of FSRU Project at Kakinada and also for formation of SPV between Andhra Pradesh Gas Distribution Corporation (APGDC) and GDF SUEZ. Approval was also accorded for the proposed MoU to be signed between Kakinada Sea Ports Limited (KSPL) and APGDC along with the changes suggested in the draft MoU.

2. In the G.O. 2nd read above, orders were issued to take M/s. Shell into the Project with 26% equity with tolling rights at par with GDF SUEZ.

3. In the letter 3rd read above, the Managing Director, APGDC has stated that M/s. Shell and M/s. GDF SUEZ (ENGIE) has signed Joint Venture Agreement (JVA) with APGDC for incorporation of the Terminal Company (Term Co) with 26% equity each and the JVA has been signed on 25.09.2015 with an understanding/commitment that the project would be executed in 18 months time from the date of Final Investment Decision (FID). He has further stated that the JV Partners, M/s. Shell and M/s. ENGIE have put various additional demands to the State Government in particular for a firm commitment of utilization of the terminal by way of capacity commitment and also buying of 1.5 Million Ton per annum equivalent RLNG for the stranded Power Plants, not operating in the State of AP for want of Natural Gas, otherwise it is not possible for obtaining debt commitment from the bankers and it will not be viable for the promoters. Since, such kind of commitment has not been agreed to by the Government of Andhra Pradesh, M/s. Shell and ENGIE have not shown any participative interest in the project.

[PTO]

4. The MD, APGDC has sent separate communication for understanding the stand of partners. Both partners i.e. M/s Shell and M/s GDF SUEZ (ENGIE) submitted that, in true spirit, the establishment of infrastructure has not happened and eventually the JVA became non-operative and indicated that they will withdraw from the Agreement as per Clause 2.3 ("Pre-Incorporation Existing Party"). Further, they indicated also that any obligation to compensate the Pre-incorporation expenses for the work and/or studies carried out jointly or acquired by the Parties and the pre-incorporation Existing Party shall have no claim for reimbursement of any of its costs howsoever incurred by it in respect of the project prior to its exit.

5. Further, prior to the incorporation of SPV, the JV partners have completed certain important studies related to FSRU Project such as EIA Studies, Geo Physical & Geo Technical Investigations, Simulation studies, Met-ocean Data measurement etc.

- The statutory clearances such as Environmental Clearance, CRZ clearance were also obtained for the Project.
- The partners have also concluded that the procurement of FSRU should be through charter hiring basis for which RFP have also been floated. There are six parties shown interest and the discussions have been completed and final decision is yet to be taken.
- Tenders for Project Management Consultant for Dredging works & Owners' Project Consultant have been prepared by APGDC & floated the tender also by APGDC.
- Financial Implication: APGDC has incurred an expenditure of Rs.15 Crores for the studies and other administration jobs.

6. He has also informed that the APGDC has created a certain value to this Project as on today by means of various activities carried out during this period such as Port Studies, Statutory clearances etc. Further pre-FEED, DFR, Dredging Tender & Tender for Owners Project Consultant etc. Therefore, APGDC Board has to take a decision at appropriate time to strengthen the project by means of inducting new partners who have expertise in (a) Experience in Execution/Operation of LNG Terminals (b) LNGC/FSRU fleet owner (c) Own LNG Gas source (d) Interest in Equity Participation of LNG Terminals etc., which may give added advantage to get LNG fleet and FSRU chartering rates at cheaper/affordable rates. The parties will follow arms length basis.

7. Earlier, GoAP has granted approval vide G.O.Ms.No.4, I&I (Airports-A2) Dept., dated 19.07.2014 for execution of FSRU Project through SPV along with M/s Shell and M/s GDF SUEZ (ENGIE), which would benefit the State, thereby increasing its Industrial growth and revenue. Further, it was expected in true sense that it will safe guard the interest of the State of Andhra Pradesh and will enable Employment.

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8. The MD, APGDC has suggested that the total expenditure incurred by APGDC in bringing the project to implementation stage which is approximately 15.00 Crores shall be treated as equity payment by APGIC and GAIL Gas Ltd., on 50- 50% basis and separate SPV shall be created by keeping this financial implications of Rs.15.00 Crores as equity and allocate 1.50 Crore shares face value of Rs.10/- each. The SPV will be registered with the authorized capital of Rs.100 Crores and the total expenditure incurred by APGDC shall be treated as paid up equity of Rs.15.00 Crores.

9. He has further stated that this will facilitate any interested party who wants to participate by diluting the share at a premium for indicating such kind of interested parties. The parties should either have the sourcing of gas or already in the business of operating LNG terminal globally. While informing the above the MD, APGDC has requested the Government to advise on the further course of action.

10 In view of the above, Government after careful examination of the matter hereby constitute a Committee with the following Officers. The committee shall consider the proposal of APGDC and after exploring various options, suggest to the Government, the appropriate option about the proposed FSRU project at Kakinada.

- 1) Special Chief Secretary to Government, Finance Department
- 2) Principal Secretary to Government, Revenue Department.
- 3) Secretary to Government, Industries & Commerce Department.
- 4) Secretary to Government (Legal Affairs), Law Department.
- 5) Principal Secretary to Government, Energy, Infrastructure and Investment Department.
- 6) MD, APGDC- Convener.

11. The Managing Director, Andhra Pradesh Gas Distribution Corporation shall take necessary further action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AYAYJAIN
PRINCIPAL SECRETARY TO GOVERNMENT

To
All the Members of the Committee

Copy to :

The OSD to Minister, Energy, Infrastructure and Investment Department.

The P.S. to Chief Secretary to Government

SF/SC

(C.No.173/Airports/2012)

//FORWARDED :: BY ORDER//

SECTION OFFICER